

2002 EARLY SESSION NEWS



from Senator Rosa Franklin

29th Legislative District



Washington State Senate

Senator Rosa Franklin
29th Legislative District

Olympia Office:
309 Legislative Building
PO Box 40429
Olympia, WA 98504-0429

Phone: 360-786-7656
FAX: 360-786-7520
Toll-free: 1-800-562-6000
email: franklin_ro@leg.wa.gov
<http://www.sdc.wa.gov/franklin.htm>

Dear Neighbors,

The tragic events of September 11 dramatically changed our world, and we continue to adjust to a new and less certain reality. At the same time, we are grappling – as individuals and as a nation – with what we can do to protect ourselves in the future. It's a daunting task.

The Legislature, also, is struggling with the implications of what happened September 11. The terrorist attack triggered a deepening of the economic slowdown that was already hurting many working families in our state. It has also required us to look more closely at whether we, as a state, are prepared to deal with these previously unimaginable kinds of emergencies.

As a result, we begin the 2002 session of the state Legislature facing the difficult challenges of balancing a budget saddled with a \$1.25 billion shortfall, stimulating a weakening state economy, and ensuring that we, as a state, have the ability to respond to emergencies similar to what was witnessed on September 11 and in its aftermath.

Even though these challenges are immense, we remain optimistic that we, as your elected representatives, can work together to reach solutions. It will not be easy.

This newsletter provides some information about the state's current budget dilemma, transportation problems and other pressing issues. Please review carefully.

Because we presently operate on reduced revenues, and more recently learned of additional shortfalls in general fund revenues, cuts will have to be made. This will certainly impact services now funded by the state.

I can only promise you that, as always, I will do my best to represent your concerns in these days of governance.

Please complete the survey attached to this newsletter. As always, I remain ready to assist and help address any concerns you have.

Warm regards,

Sen. Rosa Franklin
January 2002

Committees: Health & Long Term Care, Vice Chair • Rules, Vice Chair
Human Services & Corrections • Labor, Commerce & Financial Institutions

Budget: The \$1.25-billion deficit

As the session begins, the Legislature faces a budget shortfall as large as any faced by the state in nearly a decade. Unlike the federal government, the state is required to balance its budget and live within its means. That means that this session the Legislature will have to cut or reduce services, find new revenue sources, or tap its reserve.

Most of the current funding — more than 55 percent — goes to educating our children. The rest is largely dedicated to providing health care and other services to youngsters from poor families and disabled and elderly adults. Our challenge will be to reduce spending in a way that doesn't hurt the quality of education we provide our children; hurt the poor, frail, disabled and elderly people who rely on the state for assistance; or undermine our state economy.

Why is there such a large shortfall this year?

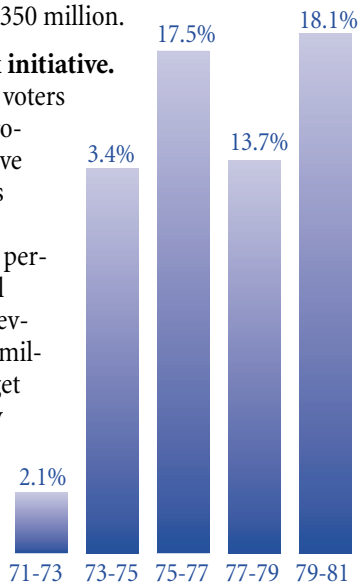
A slowing state economy. Washington's economy began weakening before September 11. But the terrorist attacks on our country made the situation much worse, pushing unemployment in Washington higher than most other states in the country. The slowing economy has also had the effect of decreasing tax revenues by more than \$800 million.

Layoffs at Boeing. Boeing, the world's largest commercial plane maker, was hit particularly hard when air travel plummeted late last year. As a result of that slowdown, Boeing has said it may eliminate as many as 20,000 Puget Sound jobs — layoffs that will have a large ripple effect on the state's economy.

More children attending schools, more inmates. The number of children in our schools and convicts in our prisons is increasing faster than expected. These developments, along with higher firefighting costs, have driven state costs up by about \$350 million.

Property-tax initiative.

In November, voters approved a proposal (Initiative 747) that caps property-tax increases at 1 percent. That will reduce state revenues by \$35 million this budget period and by \$227 million during the next two-year budget

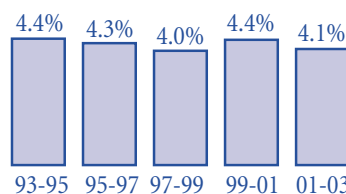


Tighter Budgets—

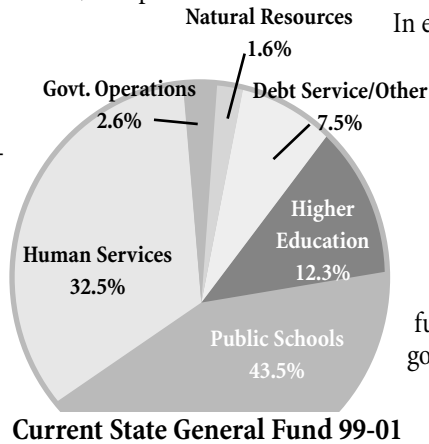
Faced with spending limits & tax initiatives

30 years of state spending

Slowing Since Spending Limits



Source: Dept. of Social & Health Services



What are the options for making up the shortfall?

In essence, it boils down to raising additional revenue, cutting services or spending the reserves — or a combination thereof — to add up to about \$1.25 billion.

Cutting Services. In his budget proposal released last month, Gov. Gary Locke called for the elimination of 30 programs, a net lay off of more than 400 employees; making state workers pay more for their health care; and reducing funding for local government. All together, the governor's budget would save about \$566 million.

New Revenues. The governor's proposal calls for no increase in general taxes. He does seek legislative approval of a multi-state "Big Game" lottery — which would increase revenues by \$25 million — and additional gambling and liquor taxes, as well as other fees to generate \$165 million.

Tapping Reserves. The governor has proposed taking about \$220 million from reserves and leaving about \$300 million in reserves.

Other Measures. Locke's budget assumes he will be able to secure an additional \$200 million in federal funding related to nursing homes. Those funds, however, are in dispute and not a sure thing. The bottom line is that if these dollars do not materialize, we will have to either make additional cuts or look for new revenue.

Now, nearly half way into the 60-day session, it's the Legislature's job — with the aid of input from citizens like you — to make the final decisions on how to balance the operating budget.

A Budget Questionnaire: How would you solve the state's \$1.25-billion revenue shortfall?

The Legislature's job is to balance the budget. If it were your job, what would you do? This year, balancing the budget means coming up with some combination of budget cuts, additional revenues or use of the reserves that adds up to about \$1.25 billion. The attached survey provides a range of options, many of which are currently among the hundreds under consideration. If you can come up with choices that total \$1.25 billion, you could be chair of the powerful Ways & Means Committee. But remember the hardest part is convincing more than half your colleagues that you have the right mix of cuts and additions.

Instructions: You may choose as many options as you care to. Please complete by darkening the entire circle. You may return the survey to my office: Sen. Rosa Franklin, P.O. Box 40429, Olympia, WA 98504-0429

1. Reducing services

- ☐ Reduce state funding for public health districts, cities and counties. These funds were originally intended to make up for local government's loss of license-tab revenues (saves \$85 million)
- ☐ Eliminate the Better Schools Program, which reduced the number of students in fourth grade (saves \$132 million)
- ☐ Stop Medicaid health coverage for children over 150 percent of poverty, which is (\$21,225 for a family of three. (\$60 million)
- ☐ Eliminate dental and vision services for 406,000 low-income adults (\$45 million)
- ☐ Reduce services for people with developmental disabilities (\$13 million)
- ☐ Reduce rates paid to nursing homes to care for low-income, elderly, disabled adults by 11 percent (\$35 million)
- ☐ Reduce the number of low-income, disabled people who receive care services in their home by 6,700 (\$25 million)
- ☐ Eliminate state assistance to people who are temporarily unemployable because of an illness or disability (\$55 million)
- ☐ Reduce the number of low-income working families who receive assistance for child care (\$8.8 million)
- ☐ Eliminate the teacher pay increase recently approved by voters that is set to take effect on July 1, 2002 (\$104 million)
- ☐ Increase the amount state workers pay for health coverage (\$45 million)
- ☐ Delay pay raises for state workers by two months (\$13 million)
- ☐ Reduce funding for universities by 5 percent and community colleges by 3 percent; allow them to raise tuition – by an unlimited amount — if they want (\$45 million)
- ☐ Reduce the number of low-income adults eligible for health care through the Basic Health Plan by 30,000 (\$100 million)
- ☐ Reduce spending across the board, except for public schools and higher education, by 12.5 percent (\$1.25 billion)
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- ☐ Other unidentified cuts (choose dollar amount you need)

2. Generating new revenue

- ☐ Raise the sales tax by 0.5 percentage points (\$467 million)
- ☐ Impose a 1-percent income tax (\$1.3 billion)
- ☐ Apply the existing sales tax to motor vehicle fuels (\$177 million)
- ☐ Impose a 5 percent Business & Occupation Tax (\$50 million)
- ☐ Impose a 25 cent cigarette tax (\$50 million)
- ☐ Increase tuition by 1 percent a year (\$10 million)
- ☐ New multi-state lottery game (\$25 million)
- ☐ Increase liquor tax by 30 cents a liter (\$4.7 million)

3. Tapping the reserves

Note: The state has a surplus or "rainy day" reserve of about \$500 million. These funds are set aside for emergencies or tough budget times. It requires a two-thirds majority vote to use most of it, which makes tapping these funds politically difficult. Also, this is "one-time" money, which means if you use it now to pay for a service during this budget period, the money won't be around if you want to continue the service down the road. Consequently, it's often believed to be good policy to minimize use of these funds.

- ☐ Use a portion of the reserve (\$143 million)
- ☐ Use more of the reserves (\$79 million)
- ☐ Use all the remaining reserves (additional \$303 million)

4. Solving transportation

The Blue Ribbon Commission on Transportation identified \$151 billion worth of transportation projects needed in Washington during the next 20 years. However, it also noted that the taxes currently dedicated to transportation will generate only \$55 billion during that period. That means we are \$95 billion short of projected needs.

Do you believe we need to make a substantial improvement to our transportation system? ☐ Yes ☐ No

If "yes," how would you pay for improvements?

- ☐ Raise the gas tax 9 cents a gallon over the next three years. (This would cost the average motorist \$34 a year and generate \$2.8 billion during the next 10 years.)
- ☐ Impose a 1.5-percent tax on new and used car sales. (This would cost most motorists about \$50 a year, assuming you spend \$20,000 on a new car every 6.5 years. It would generate \$1.4 billion for transportation projects.)
- ☐ Provide regions with taxing authority to raise additional funds to make local transportation improvements (\$5.1 billion)

Transportation: An ongoing challenge

As we all know, Washington has a serious transportation problem. And the reason is simple: Our population has grown tremendously during the past 20 years, but investment in our transportation network has not kept pace. Consider these facts.

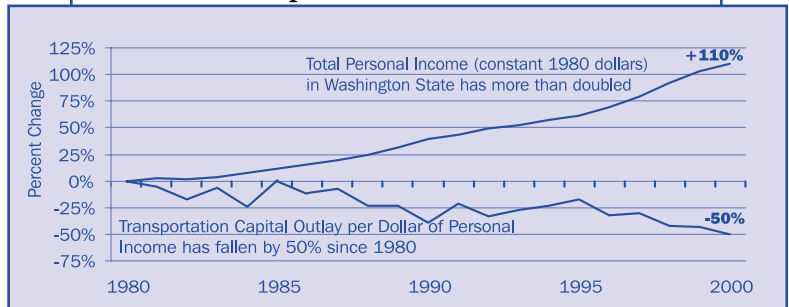
Since 1980: the state's population has grown 43 percent;

- motor vehicle registrations have grown 57 percent;
- vehicle miles driven in the state have grown 88 percent;
- transit ridership has grown 75 percent; and the tonnage of goods and freight moved by road in the state has grown 116 percent.

Yet, even as more people and goods travel our roads and highways, the state's investment in transportation has failed to keep up. Since 1980, personal income (adjusted for inflation) has doubled, but the annual per-capita investment in transportation has dropped by almost 50 percent.

The gas tax, which is the largest single source of transportation revenue, hasn't been raised in 10 years. It's true that it raises more revenue than it did 10 years ago. But the spending power of these dollars has been eaten up by inflation and higher construction and maintenance costs.

Rate of WSDOT Transportation Capital Investment per Dollar of personal income since 1980



Where do we go from here?

Locke has argued that solving our transportation crisis is critical to our state's long-term economic well being.

Furthermore, at a time when unemployment is high, boosting our investment in transportation will create new jobs — an estimated 20,000 — and stimulate growth.

That is why he has proposed a 9-cent increase in the gas tax, phased in during three years. That amounts to an average increase per motorist of about \$34 per year. The governor also would impose a 1.5-percent tax on the sale of new and used cars. Now it's up to the Legislature to figure out whether Locke's proposed remedy is the right one.



Sen. Franklin is joined by Rep. Steve Conway and Rep. Steve Kirby at a town hall meeting last fall at the Lighthouse Senior Center.

Keep in Touch!

Senator Rosa Franklin

Legislative Office:

309 Legislative Building
P.O. Box 40429; Olympia, WA 98504-0429

Telephone: (360) 786-7656

Fax: (360) 786-7520

Toll-Free Legislative Hotline:

1-800-562-6000

e-mail: franklin_ro@leg.wa.gov

Web Site:

www.sdc.wa.gov/franklin.htm

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309 Legislative Building
PO Box 40429
Olympia, WA 98504-0429

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